



FedFin Daily Briefing

Wednesday, April 19, 2023

Hsu Treads Carefully Into Open Banking

In [remarks](#) today, Acting Comptroller Hsu highlighted the liquidity, cybersecurity, and even structural challenges that may arise from open banking. He argues that account portability may lead to heightened retail deposit liquidity risk and increased retail outflows, noting that online and mobile banking may well have facilitated the large outflows experienced by SVB and SBNY. Banks could require new cyber-risk controls due to the increase in volume and complexity of consumer data. Open banking may also facilitate reliance on predictive data that undermines market competition and fairness, noting that recent forays between fintechs and large tech-platform firms into banking also undermine the barriers between banking and commerce that he believes remain essential to sound U.S. banking. No OCC programs specific to any of these risks are proposed, with the Acting Comptroller instead noting how pending CFPB data-rights standards ([see FSM Report DATA3](#)) will define the future to which banking agencies will then need to respond.

Chopra Expands Anti-Discrimination Campaign

Under heavy fire today from a [staff data breach](#), CFPB Director Chopra nonetheless emphasized the agency's strong stand against credit discrimination. Building on a recent statement of interest in a filing related to student loan litigation, the Bureau is now not only combatting traditional forms of discrimination, but also the targeting Mr. Chopra describes as reverse redlining across the spectrum of consumer-finance products and every contact point in the credit origination, servicing, marketing, and technology process. Specific actions the Bureau is focused on include steering, churning, and cost microrotation, with the overall campaign focused on discrimination by both individuals and algorithms.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **CRYPTO42**: As we [anticipated](#), the HFSC Digital Asset Subcommittee hearing today on federal stablecoin legislation did not entertain bipartisan expressions of support for the draft noticed with the hearing [announcement](#).
- **CRYPTO41**: As [anticipated](#), HFSC's hearing today with Chairman Gensler was a raucous affair which, while divided sharply on party lines when it comes to Mr. Gensler, also laid out general agreement on matters such as the need for stablecoin legislation (the topic of a high-profile hearing tomorrow).
- **GSE-041323**: As we noted earlier [today](#), global regulators are rethinking their 2015 decision not to require an express capital charge for interest-rate risk, a shift with significant implications for the role of U.S. banks as mortgage lenders and investors.
- **IRR8**: As we noted [yesterday](#), the head of the Basel Committee has targeted two capital and liquidity compromises included in the current Basel III construct not addressed in the end-game rules to which the U.S. plans shortly to turn.

- **[COMPENSATION35](#)**: Executive compensation incentives have proved among the most important reform priorities in the wake of recent bank failures.
- **[REFORM220](#)**: In this report, we drill down on prior forecasts (*see [Client Report REFORM219](#)*) of near-term regulatory action to identify the revisions sure to be prioritized as NEC Director Brainard and FDIC Chairman Gruenberg seek to reverse rules finalized over their objections when they were in the minority.
- **[UDAP8](#)**: Following its usual practice of setting standards by edict, the Bureau of Consumer Financial Protection has laid out an extensive framework that brings a wide range of consumer-finance actions and inactions within the scope of enforcement sanctions governing acts or practices that are not only unfair or deceptive, but also abusive.
- **[GSE-040623](#)**: [FHFA](#), [Fannie](#), and [Freddie](#) yesterday updated the sometimes-controversial equitable-finance [plans](#) FHFA approved last year.
- **[GSE-040323](#)**: We have written from time to time about [covered bonds](#).
- **[REFORM219](#)**: With Thursday's White House [announcement](#), we know that the Administration will do its best to support Fed and FDIC efforts to color recent events as a failure of Republican-led rulemaking, not also one of agency supervisory acumen, speed, and even competence.
- **[REFORM218](#)**: Today's HFSC hearing on recent bank failures was more partisan than yesterday's Senate Banking session (*see [Client Report REFORM217](#)*).
- **[REFORM217](#)**: Today's Senate Banking hearing was extremely well-attended by Senators on both sides of the aisle clearly looking first to understand what precipitated recent bank failures, who is to blame, and what should be done next.
- **[RESOLVE50](#)**: As [noted yesterday](#), the FDIC's recent rescues have had several unusual features with implications not only for future policy, but also for pending special assessments to replenish the DIF for the \$22.5 billion estimated costs to the Deposit Insurance Fund.
- **[RESCUE79](#)**: Recent editorials and other media have often said that the FRB and/or FDIC have powers or taken actions that is not the factual case as we understand it.
- **[GSIB21](#)**: In this report, we assess the implications of recent events on two assumptions underlying current U.S. and global policy affecting GSIBs and those considered domestic SIBs: first, all are likely to be well insulated from illiquidity and/or insolvency and, when this is not the case, then orderly resolution without taxpayer bailout can be readily deployed.
- **[LIQUIDITY33](#)**: Among the most vexing issues in the wake of SVB's failure is the extent to which social media may have led to the first "viral run," a run akin to the meme-stock volatility that lead the SEC and others to fear a new form of "flash-crash" risk.
- **[GSE-032023](#)**: In this report, we build on FedFin's in-depth reports about recent bank failures to detail new risks for all of the innocent bystanders in the U.S. mortgage market along with a not so-innocent bystander: the Federal Home Loan Banks.